

BELLSOUTH

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

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September 9, 1993

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M. St., N.W. Room 222
Washington, D.C. 20554

Re: Written Ex Parte CC Docket No. 92-296

Dear Mr. Caton:

Attached is a letter to Commissioner Andrew C. Barrett from F. Duane Ackerman, President and CEO of BellSouth Telecommunications, Inc. expressing his views regarding the above-referenced proceeding.

Please include this letter in the public record in this proceeding. Please contact me if you have any questions concerning this matter.

Respectfully submitted,

Maurice P. Talbot, Jr.

Maurice P. Talbot, Jr.

Attachment

cc: Commissioner Andrew C. Barrett w/o attachment
Jeffrey H. Hoagg w/attachment

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

September 9, 1993

EX PARTE OR LATE FILED

Commissioner Andrew C. Barrett
Federal Communications Commission
1919 M. St. N.W. Room Room 844
Washington, D.C. 20554

Dear Commissioner Barrett:

I am sorry that I missed you on the Depreciation Simplification Proceeding that will be considered on September 23. It's clear from your speech to the BellSouth Finance Society last year that you understand the need for depreciation reform. The government should not be in the business of micro-managing this important business decision particularly when it no longer impacts rates.

As you know, under price caps, depreciation is endogenous and increases in depreciation expense cannot be passed on to our access customers, i.e., the interexchange carriers. Therefore, there is no longer a need for the FCC to control depreciation as it once did under rate of return regulation in order to control tariff rates.

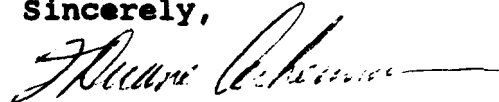
Under price caps, the Commission theorized that depreciation should be endogenous because carriers should control the investment and recovery of capital. Yet, the Commission continues to dictate depreciation rates to be used, thus affecting the recovery of capital. Likewise, the FCC created increased risk that we face in recovering capital acts as a disincentive to our investment in the infrastructure. BellSouth Telecommunications will invest about \$3 billion per year in our construction program over the next several years.

Also consider that competitors such as competitive access providers, cable TV companies, and others are not similarly constrained. They depreciate their equipment much more rapidly. Telecommunications carriers in other countries also depreciate their equipment over much shorter periods. It is time for this Commission to put us on an equal footing with competitors, other businesses and the practices in foreign countries in order for the local exchange carriers to continue to modernize our telecommunications infrastructure with the latest technology.

BellSouth urges you to adopt "Option D" in the Notice of Proposed Rulemaking as modified by the USTA and BellSouth filings in this proceeding. This proposal would continue to allow the Commission to exercise reasonable oversight and prescribe depreciation rates as required by the Communications Act of 1934, as amended. The USTA and BellSouth proposals provide adequate safeguards which remove any incentive to manipulate depreciation rates. Finally, Option A in the NPRM is simply business as usual - it represents no real change from the current process and that's not good enough in today's world.

With government rules and regulations now under scrutiny the Commission needs to show it is willing to step away from burdensome, antiquated rules and to streamline its processes, while allowing all competitors to play by the same rules. Your vote is critical in deciding whether the Commission continues with the status quo or moves ahead to simplify its obsolete rules and practices. Therefore, on September 23, I urge you to adopt "Option D" as modified by USTA and BellSouth in their filings in this proceeding.

Sincerely,



F. Duane Ackerman
President & CEO
BellSouth Telecommunications Inc.

cc: William F. Caton